

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

BKY Case No. 15-40009

HEI, Inc.,

Chapter 11 Case

Debtor.

STIPULATION FOR FURTHER INTERIM USE OF CASH COLLATERAL

HEI, Inc. (the “Debtor”) and secured lender Wells Fargo Bank, National Association (the “Prepetition Lender”), by and through their undersigned attorneys, hereby agree and stipulate on this 21st day of January 2015, as follows:

RECITALS

A. The Debtor filed a petition for relief under chapter 11 of the Bankruptcy Code on January 4, 2015, and is acting as debtor-in-possession in this case.

B. The Debtor filed a Motion for (I) Expedited Relief and (II) Interim and Final Orders Authorizing the Use of Cash Collateral [dkt. no. 7] (the “Motion”). A hearing on the portion of the Motion related to interim relief was held on January 7, 2015. After the hearing, the Debtor submitted a revised proposed interim order that was agreed to by the Prepetition Lender.

C. The Court entered an order dated January 8, 2015 [dkt. no. 21] (the “Interim Order”), in which the Court authorized the Debtor to use cash, including cash collateral in which the Prepetition Lender claims an interest, subject to the provisions of the Interim Order, through the end of the week beginning January 19, 2015.

D. The hearing on that part of the Motion seeking a cash collateral order on a final basis was scheduled for January 21, 2015.

E. On January 16, 2015, the Prepetition Lender filed an objection to that part of the Motion seeking an order on a final basis [dkt. no. 77]. On that same day, the Official Committee of Unsecured Creditors (the “Committee”) filed a preliminary objection to the Motion [dkt. no. 69].

F. The Debtor and the Prepetition Lender, with the participation of the Committee, are currently negotiating a stipulation for the Debtor’s use of cash collateral on a final basis.

G. In order that the Debtor and the Prepetition Lender have sufficient time to complete negotiations on the stipulation for use of cash collateral on a final basis, the parties have agreed to extend the interim use through the end of the week beginning February 23, 2015.

H. The Debtor will seek to reschedule the hearing on the final portion of the Motion for a time during the week beginning February 23, 2015.

STIPULATION

1. The Prepetition Lender consents to the Debtor’s interim use of cash collateral through the end of the week beginning February 23, 2015, pursuant to the terms set forth in the proposed order attached hereto, and in material conformity with the budget attached hereto as Exhibit A (the “Budget”). A material variation from the Budget shall occur if, at any time, the Debtor’s actual expenditures on a rolling, cumulative basis exceed the total projected expenditures at that time by 10% or more. In determining the Debtor’s actual expenditures and total projected expenditures the BWI and Philips funds advanced and payments made, as part of the BWI and Philips agreements, shall not be taken into consideration.

2. The Debtor may have revisions to the Budget. The Prepetition Lender agrees that the Budget may be revised by the Debtor during the continued interim period without further

order of the court, provided that the Prepetition Lender agrees in writing to the revisions. The Budget as revised shall constitute the interim budget.

3. The Debtor and the Prepetition Lender agree that, notwithstanding the Prepetition Lender's consent to the Debtor's continued use of cash collateral on an interim basis, nothing in this stipulation shall be deemed to waive any of the Prepetition Lender's or Committee's rights to continue or supplement their objections to the Debtor's use of cash collateral on a final basis.

4. The Debtor and the Prepetition Lender agree that nothing in this stipulation shall be deemed to waive any of the Debtor's rights to seek final use of cash collateral over the objection of the Prepetition Lender.

5. The Debtor and the Prepetition Lender consent to and request entry of the attached proposed order.

6. The Debtor and the Prepetition Lender agree that pursuant to Local Rule 9011-4(f), each of the undersigned hereby authorizes the e-filing of this document with their electronic signatures affixed below.

/e/ Sarah M. Olson

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NATIONAL ASSOCIATION

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EXHIBIT A

BUDGET

HEI, Inc

1 Weekly Cashflow Forecast - Interim

	Previous Interim Period				Continued Interim Period					
	Actual	Projected	Projected	Interim	Projected	Projected	Projected	Projected	Projected	Interim
	Week Begin	Week Begin	Week Begin	Total	Week Begin	Week Begin	Week Begin	Week Begin	Week Begin	Total
	1/5/2015	1/12/2015	1/19/2015	1/5-1/25/15	1/26/2015	2/2/2015	2/9/2015	2/16/2015	2/23/2015	1/26-2/27/15
CASH RECEIPTS										
Accounts Receivable Collections	430,974	233,743	204,224	868,940	130,224	103,085	137,663	70,324	70,324	511,619
Sale of Equipment				-	-	-	2,805,000			2,805,000
Phillips Receipts for Tempe Production	161,040	80,249	72,259	313,548	143,114	24,632	29,767	-	-	197,512
Phillips Premiums	133,000	-	133,000	266,000	-	-	134,000	-	-	134,000
Sale of Real Estate				-		-				-
Recovery of Utility Deposits				-						-
8M Customer Premiums	30,000	20,000	15,500	65,500						-
CL Customer Premiums			33,283	33,283	-					-
Recovery of Other Assets	5,000			5,000						-
BWI Receipts for Boulder Production		18,497	827,050	845,547		250,000		186,852		436,852
BWI Premiums			175,000	175,000						-
Bond Redemption	-	-	-	-	-	-	-	-	-	-
Total Cash Inflows	760,014	352,489	1,460,316	2,572,819	273,338	377,717	3,106,429	257,176	70,324	4,084,983
CASH DISBURSEMENTS										
Inventory and supply Payments	26,813	7,500	7,500	41,813	7,500	2,500	2,500	-	-	12,500
Equipment Rent and Lease Payments		13,000	-	13,000	-	-	-			-
Payroll, Taxes, 401k (Need Breakout)	149,489	-	129,308	278,797	7,605	102,108	1,040	54,513	-	165,266
Retention - Tempe				-	58,500		8,000			66,500
BCBS - Health Insurance claims	-	25,000	-	25,000	-	-	30,000	-	-	30,000
BCBS - Health Insurance premiums	-	20,000	-	20,000	-	8,000			-	8,000
Delta Dental premiums		9,000		9,000		4,000				4,000
Trash Removal - Victoria		1,593		1,593			1,200	-		1,200
Utilities -Victoria		-		-	25,000		-	-		25,000
Utilities-Tempe		40,000		40,000		25,000		-		25,000
Utility Deposits		75,000		75,000						-
Utilities-Boulder		-	-	-						-
Shipping (Fedex, UPS)	452	4,548		5,000	2,000		1,000		-	3,000
Janitorial		1,697	1,697	3,394	-	-	1,697	-	-	1,697
Telephone		-	10,000	10,000	-	10,000	-	7,500	-	17,500
Cell Phone		-	2,100	2,100	-	2,100	-	2,000	-	4,100
Life Insurance - Guardian		3,000	-	3,000		1,000	-			1,000
Business Insurance - Commercial		5,545		5,545	19,094	-			12,639	31,733
Alliance Fees				-	-	125,000				125,000
Alliance Sales Fee		-	-	-	-	-	84,150	-	-	84,150
Fredrikson Fees (BK Counsel)				-		100,000				100,000
Debtor Fees (M&A Counsel)				-		50,000				50,000
Creditors Committee/Liquidating Agent				-	-	25,000	-		-	25,000
Shareholder Notice Costs		35,000		35,000						-
US Trustee Fees				-						-
Tempe Rent Payments		6,615		6,615	-	16,395				16,395
Travel		10,000	5,000	15,000	5,000	5,000	2,500	1,000	-	13,500
Tempe Maintenance		10,000	5,000	15,000	5,000					5,000
Operating Leases - Tempe		13,000		13,000						-
Equipment Lease - ESI Laser - Tempe		13,215		13,215		-				-
Equipment Lease - AOI - Tempe		8,690		8,690		-				-
Equipment Lease-Lauffer Press - Tempe		4,792		4,792		-				-
Equipment Lease-Die bonder		-		-			-			-
Equipment Lease-Plasma Etch - Tempe		1,894		1,894			-			-
Equipment Lease-My data		-	-	-				-		-
Environmental Clean Up				-			50,000		-	50,000
Moving Expenses from Boulder		-		-						-
Property Taxes				-						-
BWI Rent - Boulder			152,000	152,000		152,000		-		152,000
BWI Inventory Purchases			313,088	313,088		52,181	52,181	52,181		156,544
BWI Critical Catch Up Payments			236,500	236,500						-
BWI Boulder Employee Salary and Tax			19,069	19,069		38,139		36,093		74,231
BWI Boulder Retention			-	-		-		-		-
Boulder Supply Chain			4,976	4,976		3,855				3,855
Boulder Manufacturing			2,222	2,222		3,791				3,791
Boulder Facility - Non Rent			-	-	50,319	-	-		37,720	88,039
BWI G&A Expenses			9,290	9,290		-		9,290		9,290
Misc./Other	-	5,000	10,000	15,000	5,000	5,000	5,000	5,000	5,000	25,000
Total Operating Disbursements	176,754	314,089	907,750	1,398,593	185,018	731,069	239,268	167,577	55,359	1,378,291
Timing Differences	4,040			4,040						-
Net Cash Flow before Bank Payments	587,300	38,400	552,566	1,178,266	88,320	(353,352)	2,867,161	89,599	14,965	2,706,692

HEI, Inc

1 Weekly Cashflow Forecast - Interim

	Previous Interim Period				Continued Interim Period					
	Actual	Projected	Projected	Interim	Projected	Projected	Projected	Projected	Projected	Interim
	Week Begin	Week Begin	Week Begin	Total	Week Begin	Week Begin	Week Begin	Week Begin	Week Begin	Total
	1/5/2015	1/12/2015	1/19/2015	1/5-1/25/15	1/26/2015	2/2/2015	2/9/2015	2/16/2015	2/23/2015	1/26-2/27/15
81 Wells Fargo Interest Payments	-	-	-	-	-	15,000	-	-	-	15,000
82 WF Client Service Charge	-	-	-	-	-	-	-	-	-	-
83 Principal Payments from Asset Sales	-	-	-	-	-	-	2,670,850	-	-	2,670,850
84 Principal Payments from Other Cash	-	-	-	-	100,000	-	100,000	-	-	200,000
85 Miscellaneous Wells Fargo Fees	105	-	-	-	-	-	-	-	-	-
86 Net Cash Flow Including Bank Payments	587,195	38,400	552,566	1,178,266	(11,680)	(368,352)	96,311	89,599	14,965	(179,158)
87 Operating Cash										
88 Beginning Cash Balance	329	557,524	557,427	329	796,305	834,944	466,557	615,050	615,360	796,305
89 Less Customer Premiums (excl. Phillips)	(30,000)	(20,000)	(223,783)	(273,783)	-	-	-	-	-	-
90 Less Net Cash Flow from BWI Operations	-	(18,497)	(89,905)	(108,402)	50,319	(34)	52,181	(89,288)	37,720	50,898
91 Inc/(decr) Cash	587,195	38,400	552,566	1,178,161	(11,680)	(368,352)	96,311	89,599	14,965	(179,158)
92 Ending Operating Cash Balance	557,524	557,427	796,305	796,305	834,944	466,557	615,050	615,360	668,045	668,045
93 Premiums Held in Trust										
94 Beginning Premiums Held in Trust	-	30,000	50,000	-	273,783	273,783	273,783	273,783	273,783	273,783
95 Plus Customer Premiums (excl Phillips)	30,000	20,000	223,783	273,783	-	-	-	-	-	-
96 Disbursement of Premiums	-	-	-	-	-	-	-	-	-	-
97 Ending Premiums Held in Trust	30,000	50,000	273,783	273,783	273,783	273,783	273,783	273,783	273,783	273,783
98 BWI Operating Cash										
99 Beginning BWI Operating Cash	-	-	18,497	-	108,402	58,083	58,117	5,935	95,223	108,402
100 Net Cash Flow from BWI Operations	-	18,497	89,905	108,402	(50,319)	34	(52,181)	89,288	(37,720)	(50,898)
101 Ending BWI Operating Cash	-	18,497	108,402	108,402	58,083	58,117	5,935	95,223	57,503	57,503
102 Total Cash	587,524	625,924	1,178,490	1,178,490	1,166,809	798,457	894,768	984,367	999,332	999,332
103 Beginning Combined Revolver Balance	2,424,039	2,424,039	2,424,039	2,424,039	2,424,039	2,324,039	2,324,039	-	-	2,424,039
104 Inc/(decr) revolver/term	-	-	-	-	(100,000)	-	(2,770,850)	-	-	(2,870,850)
105 Ending Combined Revolver Balance	2,424,039	2,424,039	2,424,039	2,424,039	2,324,039	2,324,039	-	-	-	-
106 P-Card and Other	24,603	24,603	24,603	24,603	24,603	24,603	24,603	24,603	24,603	24,603
107 Mortgage Balance	862,500	862,500	862,500	862,500	862,500	862,500	415,689	415,689	415,689	415,689
108 Total Wells Fargo Debt	3,311,142	3,311,142	3,311,142	3,311,142	3,211,142	3,211,142	440,292	440,292	440,292	440,292
109	0									
171 Collateral Value Projections										
172 Total Accounts Receivable	1,093,465	929,722	858,240	858,240	902,249	799,164	661,502	591,178	520,854	520,854
173 Operating Cash	557,524	557,427	796,305	796,305	834,944	466,557	615,050	615,360	668,045	668,045
174 Premiums held in Trust	30,000	50,000	273,783	273,783	273,783	273,783	273,783	273,783	273,783	273,783
175 Bond Value	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
176 Estimated Inventory (net of cap.)	1,694,765	1,677,965	1,646,107	1,646,107	1,604,291	1,604,291	-	-	-	-
177 Equipment Liquidation Value	2,640,722	2,640,722	2,640,722	2,640,722	2,640,722	2,640,722	-	-	-	-
178 Estimated Liquidation Value	2,145,000	2,145,000	2,145,000	2,145,000	2,145,000	2,145,000	2,145,000	2,145,000	2,145,000	2,145,000
179 Total Collateral	9,161,475	9,000,836	9,360,157	9,360,157	9,400,989	8,929,518	4,695,334	4,625,321	4,607,682	4,607,682
180 Revolver Balance	2,424,039	2,424,039	2,424,039	2,424,039	2,324,039	2,324,039	-	-	-	-
181 Mortgage Balance	862,500	862,500	862,500	862,500	862,500	862,500	415,689	415,689	415,689	415,689
182 Total Debt	3,286,539	3,286,539	3,286,539	3,286,539	3,186,539	3,186,539	415,689	415,689	415,689	415,689
183										
184 Collateral to Debt Coverage	2.8x	2.7x	2.8x	2.8x	3x	2.8x	11.3x	11.1x	11.1x	11.1x
185 Equity Cushion	179%	174%	185%	185%	195%	180%	1030%	1013%	1008%	1008%

UNITED STATES BANKRUPTCY COURT
DISTRICT OF MINNESOTA

In re:

HEI, Inc.,

Debtor.

BKY Case No. 15-40009

Chapter 11 Case

ORDER AUTHORIZING FURTHER INTERIM USE OF CASH COLLATERAL

This matter is before the Court in connection with the Debtor's Motion for (I) Expedited Relief and (II) Interim and Final Orders Authorizing the Use of Cash Collateral (the "Motion"). Pursuant to the stipulation for further interim use of cash collateral between the debtor and Wells Fargo Bank, National Association (the "Prepetition Lender") dated January 21, 2015,

IT IS ORDERED:

1. This court will hold the hearing on the final portion of the Debtor's Motion on February 25, 2015 at 10:30 a.m.
2. The deadline for objections or other responses to the Motion is extended such that any additional objections or other responses are due no later than February 20, 2015.
3. The Debtor is authorized to use cash collateral in which the Prepetition Lender claims an interest, on an interim basis through the end of the week beginning February 23, 2015, subject to the conditions set forth in this order, and in material conformity with the following budget (the "Budget"):

1	Weekly Cashflow Forecast - Interim	Previous Interim Period				Continued Interim Period					
		Actual	Projected	Projected	Interim	Projected	Projected	Projected	Projected	Projected	Interim
		Week Begin	Week Begin	Week Begin	Total	Week Begin	Week Begin	Week Begin	Week Begin	Week Begin	Total
		1/5/2015	1/12/2015	1/19/2015	1/5-1/25/15	1/26/2015	2/2/2015	2/9/2015	2/16/2015	2/23/2015	1/26-2/27/15
5	CASH RECEIPTS										
6	Accounts Receivable Collections	430,974	233,743	204,224	868,940	130,224	103,085	137,663	70,324	70,324	511,619
9	Sale of Equipment				-	-	-	2,805,000			2,805,000
10	Phillips Receipts for Tempe Production	161,040	80,249	72,259	313,548	143,114	24,632	29,767	-	-	197,512
11	Phillips Premiums	133,000	-	133,000	266,000	-	-	134,000	-	-	134,000
12	Sale of Real Estate				-		-				-
13	Recovery of Utility Deposits				-						-
14	8M Customer Premiums	30,000	20,000	15,500	65,500						-
15	CL Customer Premiums			33,283	33,283	-					-
16	Recovery of Other Assets	5,000			5,000						-
17	BWI Receipts for Boulder Production		18,497	827,050	845,547		250,000		186,852		436,852
18	BWI Premiums			175,000	175,000						-
19	Bond Redemption	-	-	-	-	-	-	-	-	-	-
20	Total Cash Inflows	760,014	352,489	1,460,316	2,572,819	273,338	377,717	3,106,429	257,176	70,324	4,084,983
21											
22	CASH DISBURSEMENTS										
23	Inventory and supply Payments	26,813	7,500	7,500	41,813	7,500	2,500	2,500	-	-	12,500
24	Equipment Rent and Lease Payments		13,000	-	13,000	-	-	-			-
25	Payroll, Taxes, 401k (Need Breakout)	149,489	-	129,308	278,797	7,605	102,108	1,040	54,513	-	165,266
26	Retention - Tempe				-	58,500		8,000			66,500
27	BCBS - Health Insurance claims	-	25,000	-	25,000	-	-	30,000	-	-	30,000
28	BCBS - Health Insurance premiums	-	20,000	-	20,000	-	8,000			-	8,000
29	Delta Dental premiums		9,000		9,000		4,000				4,000
31	Trash Removal - Victoria		1,593		1,593			1,200	-		1,200
32	Utilities - Victoria		-		-	25,000		-	-		25,000
33	Utilities - Tempe		40,000		40,000		25,000		-		25,000
34	Utility Deposits		75,000		75,000						-
35	Utilities - Boulder		-	-	-						-
36	Shipping (Fedex, UPS)	452	4,548		5,000	2,000		1,000		-	3,000
37	Janitorial		1,697	1,697	3,394	-	-	1,697	-	-	1,697
38	Telephone		-	10,000	10,000	-	10,000	-	7,500	-	17,500
39	Cell Phone		-	2,100	2,100	-	2,100	-	2,000	-	4,100
40	Life Insurance - Guardian		3,000	-	3,000		1,000	-			1,000
41	Business Insurance - Commercial		5,545		5,545	19,094	-			12,639	31,733
43	Alliance Fees				-	-	125,000				125,000
44	Alliance Sales Fee		-	-	-	-	-	84,150	-	-	84,150
46	Fredrikson Fees (BK Counsel)				-		100,000				100,000
48	Debtor Fees (M&A Counsel)				-		50,000				50,000
49	Creditors Committee/Liquidating Agent				-	-	25,000	-		-	25,000
50	Shareholder Notice Costs		35,000		35,000						-
51	US Trustee Fees				-						-
53	Tempe Rent Payments		6,615		6,615	-	16,395				16,395
54	Travel		10,000	5,000	15,000	5,000	5,000	2,500	1,000	-	13,500
55	Tempe Maintenance		10,000	5,000	15,000	5,000					5,000
56	Operating Leases - Tempe		13,000		13,000						-
57	Equipment Lease - ESI Laser - Tempe		13,215		13,215		-				-
58	Equipment Lease - AOI - Tempe		8,690		8,690		-				-
59	Equipment Lease - Lauffer Press - Tempe		4,792		4,792		-				-
60	Equipment Lease - Die bonder		-		-			-			-
61	Equipment Lease - Plasma Etch - Tempe		1,894		1,894			-			-
62	Equipment Lease - My data		-	-	-				-		-
63	Environmental Clean Up				-			50,000		-	50,000
64	Moving Expenses from Boulder		-		-						-
66	Property Taxes				-						-
68	BWI Rent - Boulder			152,000	152,000		152,000		-		152,000
69	BWI Inventory Purchases			313,088	313,088		52,181	52,181	52,181		156,544
70	BWI Critical Catch Up Payments			236,500	236,500						-
71	BWI Boulder Employee Salary and Tax			19,069	19,069		38,139		36,093		74,231
72	BWI Boulder Retention			-	-		-		-		-
73	Boulder Supply Chain			4,976	4,976		3,855				3,855
74	Boulder Manufacturing			2,222	2,222		3,791				3,791
75	Boulder Facility - Non Rent			-	-	50,319	-	-		37,720	88,039
76	BWI G&A Expenses			9,290	9,290		-		9,290		9,290
77	Misc./Other	-	5,000	10,000	15,000	5,000	5,000	5,000	5,000	5,000	25,000
78	Total Operating Disbursements	176,754	314,089	907,750	1,398,593	185,018	731,069	239,268	167,577	55,359	1,378,291
79	Timing Differences	4,040			4,040						-
80	Net Cash Flow before Bank Payments	587,300	38,400	552,566	1,178,266	88,320	(353,352)	2,867,161	89,599	14,965	2,706,692

81	Wells Fargo Interest Payments	-	-	-	-	15,000	-	-	-	15,000	
82	WF Client Service Charge	-	-	-	-	-	-	-	-	-	
83	Principal Payments from Asset Sales	-	-	-	-	-	2,670,850	-	-	2,670,850	
84	Principal Payments from Other Cash	-	-	-	-	100,000	100,000	-	-	200,000	
85	Miscellaneous Wells Fargo Fees	105	-	-	-	-	-	-	-	-	
86	Net Cash Flow Including Bank Payments	587,195	38,400	552,566	1,178,266	(11,680)	(368,352)	96,311	89,599	14,965	(179,158)
87	Operating Cash										
88	Beginning Cash Balance	329	557,524	557,427	329	796,305	834,944	466,557	615,050	615,360	796,305
89	Less Customer Premiums (excl. Phillips)	(30,000)	(20,000)	(223,783)	(273,783)	-	-	-	-	-	-
90	Less Net Cash Flow from BWI Operations	-	(18,497)	(89,905)	(108,402)	50,319	(34)	52,181	(89,288)	37,720	50,898
91	Inc/(decr) Cash	587,195	38,400	552,566	1,178,161	(11,680)	(368,352)	96,311	89,599	14,965	(179,158)
92	Ending Operating Cash Balance	557,524	557,427	796,305	796,305	834,944	466,557	615,050	615,360	668,045	668,045
93	Premiums Held in Trust										
94	Beginning Premiums Held in Trust	-	30,000	50,000	-	273,783	273,783	273,783	273,783	273,783	273,783
95	Plus Customer Premiums (excl Phillips)	30,000	20,000	223,783	273,783	-	-	-	-	-	-
96	Disbursement of Premiums	-	-	-	-	-	-	-	-	-	-
97	Ending Premiums Held in Trust	30,000	50,000	273,783	273,783	273,783	273,783	273,783	273,783	273,783	273,783
98	BWI Operating Cash										
99	Beginning BWI Operating Cash	-	-	18,497	-	108,402	58,083	58,117	5,935	95,223	108,402
100	Net Cash Flow from BWI Operations	-	18,497	89,905	108,402	(50,319)	34	(52,181)	89,288	(37,720)	(50,898)
101	Ending BWI Operating Cash	-	18,497	108,402	108,402	58,083	58,117	5,935	95,223	57,503	57,503
102	Total Cash	587,524	625,924	1,178,490	1,178,490	1,166,809	798,457	894,768	984,367	999,332	999,332
103	Beginning Combined Revolver Balance	2,424,039	2,424,039	2,424,039	2,424,039	2,424,039	2,324,039	2,324,039	-	-	2,424,039
104	Inc/(decr) revolver/term	-	-	-	-	(100,000)	-	(2,770,850)	-	-	(2,870,850)
105	Ending Combined Revolver Balance	2,424,039	2,424,039	2,424,039	2,424,039	2,324,039	2,324,039	-	-	-	-
106	P-Card and Other	24,603	24,603	24,603	24,603	24,603	24,603	24,603	24,603	24,603	24,603
107	Mortgage Balance	862,500	862,500	862,500	862,500	862,500	862,500	415,689	415,689	415,689	415,689
108	Total Wells Fargo Debt	3,311,142	3,311,142	3,311,142	3,311,142	3,211,142	3,211,142	440,292	440,292	440,292	440,292

4. A material variation from the Budget shall occur if, at any time, the Debtor's actual expenditures on a rolling, cumulative basis exceed the total projected expenditures at that time by 10% or more. In determining the Debtor's actual expenditures and total projected expenditures the BWI and Philips funds advanced and payments made, as part of the BWI and Philips agreements, shall not be taken into consideration.

5. The Budget may be revised by the Debtor during the continued interim period without further order of the court, provided that the Prepetition Lender agrees in writing to the revisions.

6. For purposes of adequate protection, and to the extent of the use of prepetition cash collateral in which the Prepetition Lender has a perfected security interest, the Debtor is authorized to grant to the Prepetition Lender a replacement lien, pursuant to 11 U.S.C. §§ 361, 363, and 552, in the debtor's postpetition assets of the same priority, dignity and effect as the prepetition lien, if any, on the prepetition property of the Debtor. Such replacement lien shall not

extend to funds advanced by customers—including but not limited to Philips Ultrasound, Inc., (“Philips”), Biosense Webster, Inc. (“BWI”)—after the filing of this bankruptcy case that are earmarked for payment of expenses, and shall not extend to any inventory or other materials purchased with such funds. Such replacement lien shall extend to premium payments received by the Debtor through the end of the week beginning February 23, 2015.

7. As and for additional adequate protection, the Debtor shall continue to utilize bank accounts maintained at Wells Fargo, including one or more prepetition bank accounts to the extent authorized by this Court’s order regarding the debtor’s motion seeking authorization to maintain existing bank accounts.

8. As and for additional adequate protection, the Debtor shall comply with reporting and inspection requests made by the Prepetition Lender in accordance with the Prepetition Lender’s rights under its loan documents, which includes providing the Prepetition Lender with: (i) daily collateral reports together with all supporting documents attached thereto, due by end of business the following day; and (ii) weekly cash flow statements due by the end of business on Wednesday of the following week. The Debtor shall further provide the Prepetition Lender with a copy of all reports provided to the United States Trustee.

9. Nothing in the stipulation or this order shall be deemed to waive any of the Prepetition Lender’s or Committee’s rights to continue or supplement their objections to the Debtor’s use of cash collateral on a final basis.

10. Nothing in the stipulation or this order shall be deemed to waive any of the Debtor’s rights to seek final use of cash collateral over the objection of the Prepetition Lender.

Dated:

Kathleen H. Sanberg
United States Bankruptcy Judge